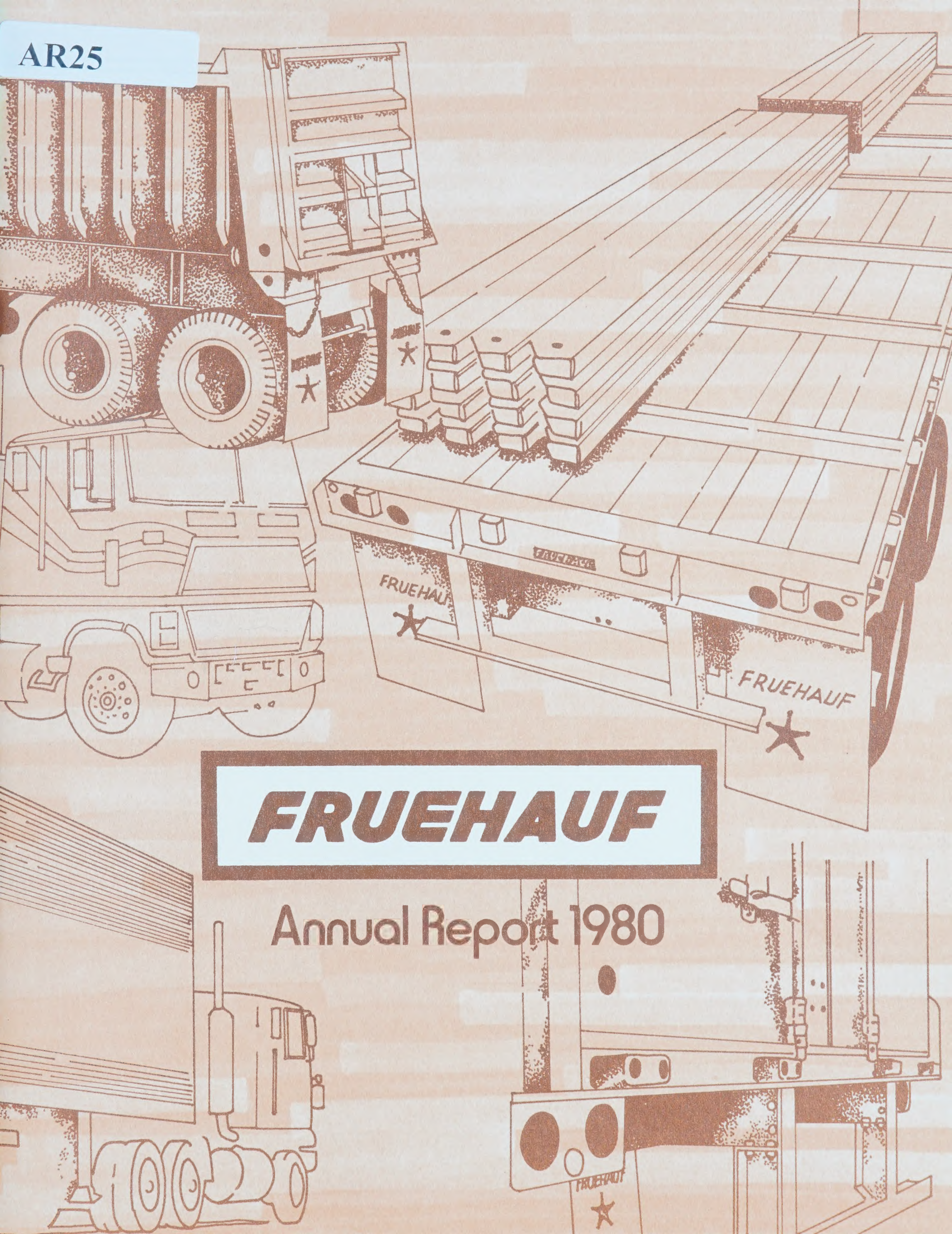


FRUEHAUF

Annual Report 1980

Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Fruehauf Canada Inc. will be held on Friday, April 24, 1981, at 2.30 p.m. (Toronto time) in the Board Room of National Trust Company Limited, 3rd Floor, 21 King Street East, Toronto, Ontario.

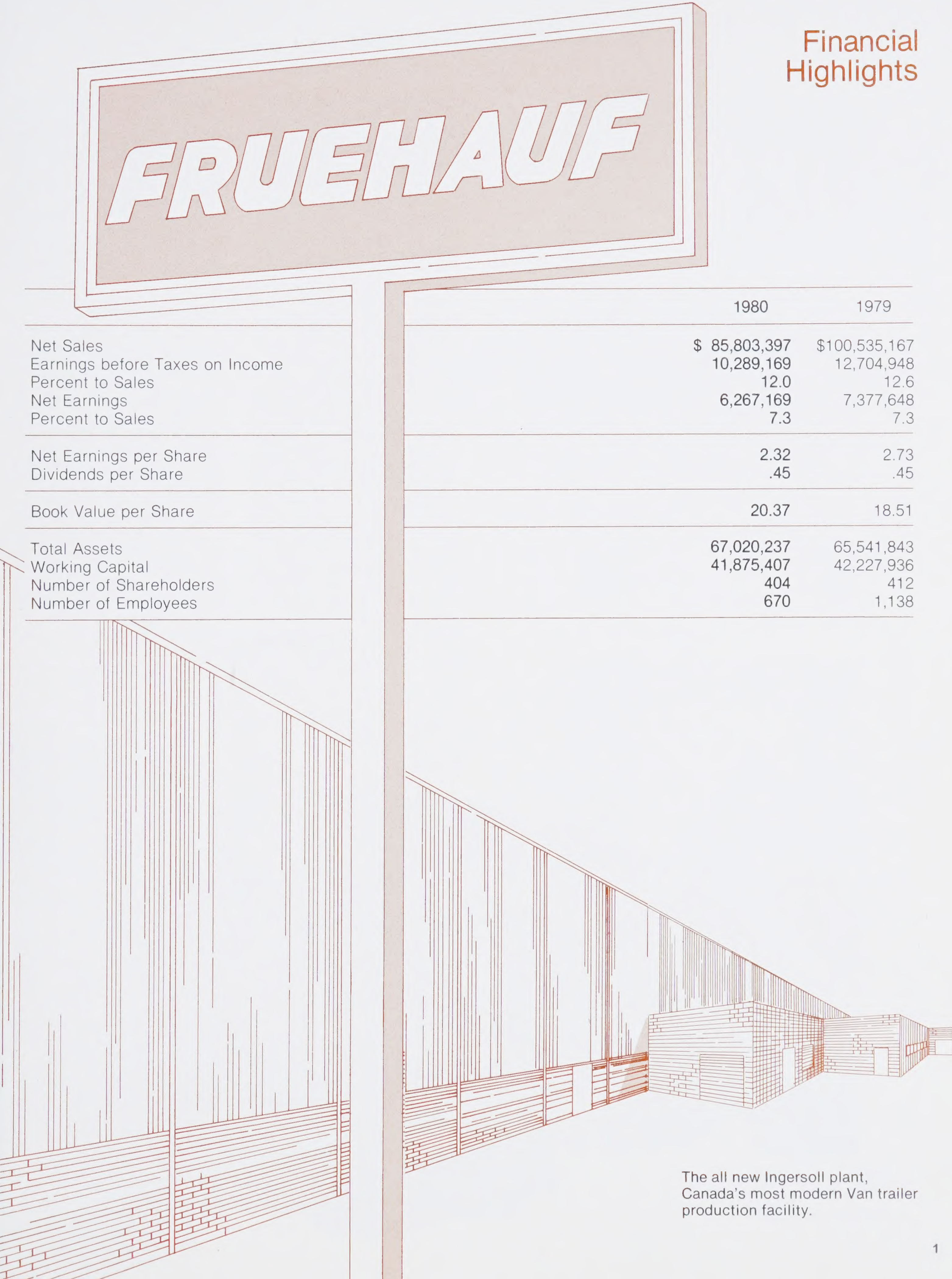
Proxies will be solicited from Shareholders when the Notice of Annual Meeting and Proxy Statements are mailed on or about March 26, 1981.

Head Office:
Fruehauf Canada Inc.
2450 Stanfield Road
Mississauga, Ontario
L4Y 1S3

Contents

Financial Highlights

	1980	1979
Net Sales	$ 85,803,397	$100,535,167
Earnings before Taxes on Income	10,289,169	12,704,948
Percent to Sales	12.0	12.6
Net Earnings	6,267,169	7,377,648
Percent to Sales	7.3	7.3
Net Earnings per Share	2.32	2.73
Dividends per Share	.45	.45
Book Value per Share	20.37	18.51
Total Assets	67,020,237	65,541,843
Working Capital	41,875,407	42,227,936
Number of Shareholders	404	412
Number of Employees	670	1,138



The all new Ingersoll plant, Canada's most modern Van trailer production facility.

Report on Operations 1980

To Our Shareholders:

Net earnings of $6 million were attained on sales of $85 million, a highly successful result given the economic climate that prevailed throughout 1980.

We started the year with a record backlog of orders for production but soon began to feel the effect of the adverse national economic conditions. With the automotive industry implementing production cutbacks as the year progressed, the demand for new trailers continued to decline. While we closed the year with a lower backlog of orders for production than we had at the start of the year, we have every confidence that the industry and the Canadian economy have the strength to rebound in the early 80's.

Total sales in 1980 were $85,803,397, off 15% from the all time record of $100,535,167 established in 1979. Net earnings for the year of $6,267,169 compared to $7,377,648 in the preceding year were also off 15%. Per share earnings of $2.32 compare to the prior year's $2.73 per share.

Dividends

During the year semi annual cash dividends of 22 1/2 cents per share were paid — 45 cents per share for the year. The first dividend was paid May 2, 1980, to holders of record March 31, 1980; the second was paid on September 30, 1980, to holders of record September 9, 1980.

Following the announcement of 1980 results a dividend was declared on February 27, 1981. As we still have a portion of the committed expansion program to fund and given the short term outlook, we have held the semi annual dividend to 22 1/2 cents per share. This dividend is payable April 20, 1981, to holders of record on March 27, 1981.

Operation Highlights

The year included abnormal swings — at the beginning of the year our extensive backlog required a two shift operation at the Dixie manufacturing facility and had schedules extended over several months. By mid year we were down to a single shift and moving to levels well below capacity, having also experienced order cancellations.

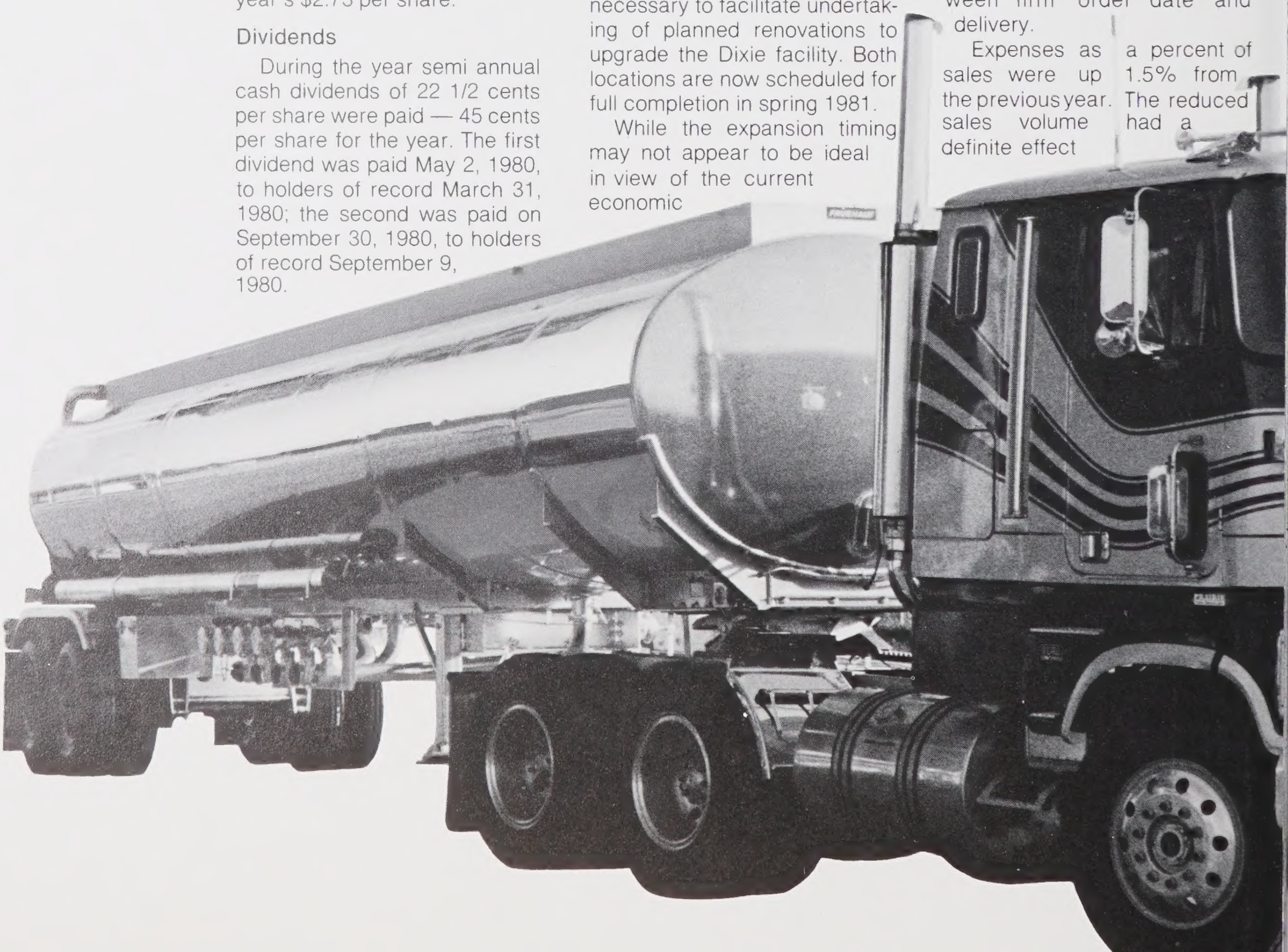
Throughout the year construction and equipment installation continued at the new Ingersoll facility. By mid November we were able to start an initial production run and at the same time continue with the balance of tooling installation. This was necessary to facilitate undertaking of planned renovations to upgrade the Dixie facility. Both locations are now scheduled for full completion in spring 1981.

While the expansion timing may not appear to be ideal in view of the current economic reversal, by proceeding with the project as originally scheduled we will have completed our development, trained our people and fined tuned our operating system in time to fully participate in the decade's potential. The two facilities when completed will enable us to react more quickly to business surges as they may occur in the coming periods.

Costs and Expenses

Costs of products and services sold, as a percent of sales, improved from the previous year, decreasing 1.5% to 81.7%. The cost reduction reflects the exercise of close control over costs and a closer matching of costs and revenues as production backlog was reduced and the gap between order and delivery dates narrowed. The Corporation operates under a system whereby sales are made at firm prices. Thus if the backlog of orders is stretched out as in the previous year, unrecoverable cost escalation can take place in the interim between firm order date and delivery.

Expenses as a percent of sales were up 1.5% from the previous year. The reduced sales volume had a definite effect



on the percentage relationship. Additionally in 1981 a realignment of expenses in our branch operations accounts for just under 1% of the overall increase. The offset of this realignment resulted in a reduction of total costs of production and services sold. The sum of costs and expenses at 88.1% to sales, equates exactly to the prior year, both years being the lowest in the last five years.

Financing Operations

During the year we were able to increase our overall financing operations substantially. Despite the increase in revenue from equipment financing, finance revenue and other interest in total was down 4%. The revenue components from short term market investments was less than one quarter of the amount in the 1979 year as a result of funds previously invested being utilized in the expansion program. Revenue from equipment financed improved almost 25% in 1980. Financing continues to be a highly competitive activity with the new bank act serving to reinforce the competitiveness of this market. These revenues have a most desirable stabilizing effect on earnings and it is our intention to strive for continued growth in this area.

Our investment in installment contracts of $15,958,358 is an increase of 12%, while equipment leased to customers at $802,855 is only slightly below that portfolio one year earlier. We expect a continued trend to installment contract financing in preference to the lease transaction. This is in part due to the equity benefit to the purchaser, and to a lesser extent the requirement for certain leases now having to be categorized as capital under current accounting rules.

Capital Expenditure and Depreciation

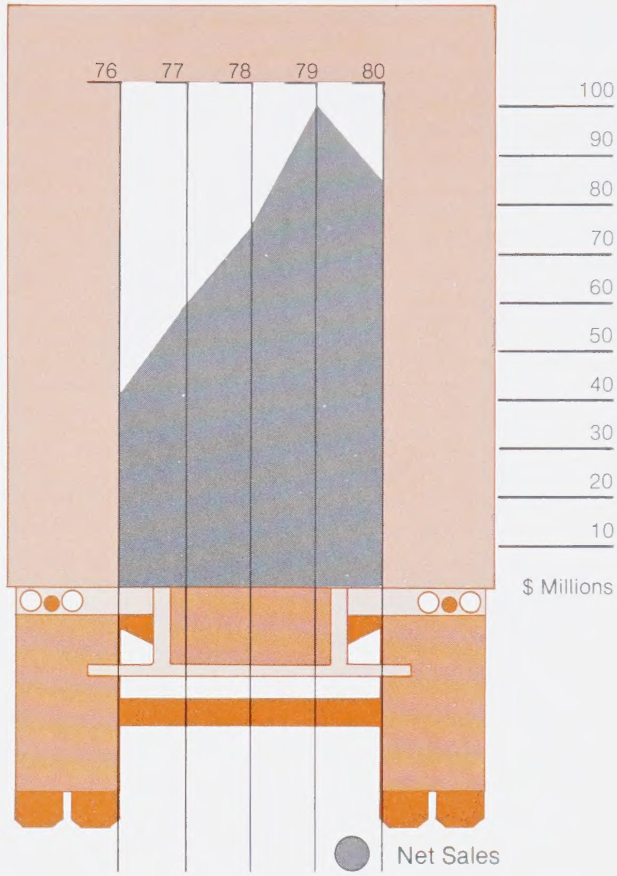
Expenditures for fixed assets during the year were $7,482,816 up from $3,086,502 in 1979. The major portion relates to the new manufacturing facility at Ingersoll, Ontario. The plan for Ingersoll established in 1978 anticipated a cost of $11.3 million. To date we are basically on schedule, approximately 85% complete, with spending commitments controlled to 1% under budget. This entire project is being financed out of current working capital and funds which were invested at the start of the project.

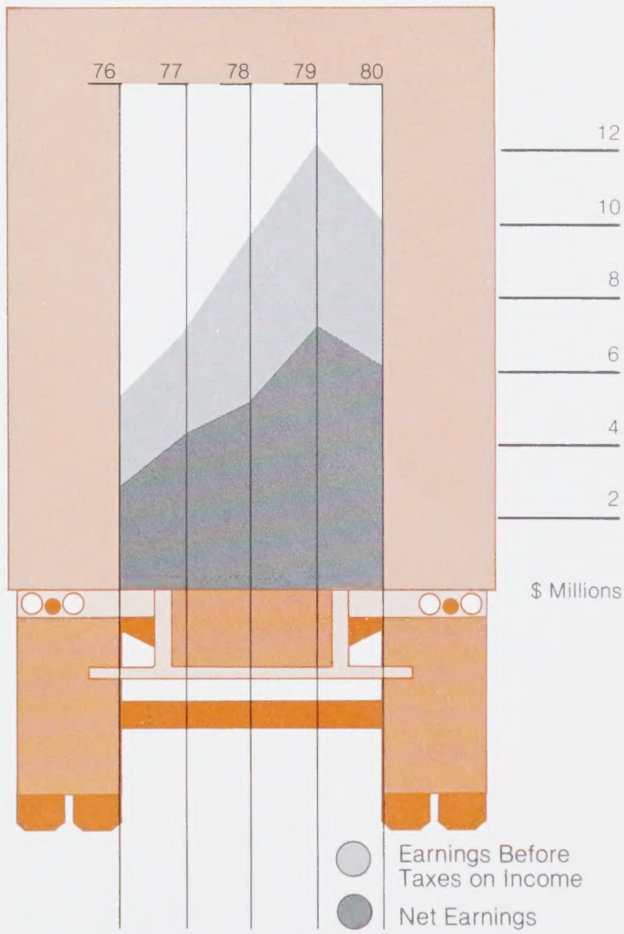
Depreciation of plant and equipment in 1980 totalled $921,428 compared to $532,106 in the preceding year. Assets are depreciated over their estimated useful lives — ten years for machinery, seven years for automotive equipment and up to forty years for buildings. We follow the principle of depreciation coincident with the commencement of use of equipment. On this basis depreciation on the Ingersoll facility commenced in November 1980.

Financial Strength

The current ratio at December 31, 1980, is a strong 5.3 to 1. Working capital at $41,875,407 compares to $42,227,936 at the previous year end. At the same time approximately $9 million has been invested in the expansion program over the last two years.

As the economy slowed during the year, we experienced inventory increases associated with customer inability to take delivery of units ordered. New trailers on hand have significantly increased as a result.





However we are satisfied that all of this inventory can be delivered in the coming year.

We had approximately $4 million invested in short term marketable securities at year end, slightly above such investment at the end of 1979. Throughout the year there were several periods of short term borrowing and we anticipate a return to a borrowing position again in 1981. Our current cash position was greatly assisted by the deferral of 1980 income tax installments following amalgamation on February 29, 1980 of your Corporation's inactive finance subsidiary. Following the amalgamation, the new company, also bearing the name Fruehauf Canada Inc., was considered a new corporation and income tax installments were not required. Because the current tax liability is not due until two months following year end our cash position has been enhanced throughout the year, a significant benefit during our expansion program.

In the coming year $2.3 million will be spent on completing the manufacturing expansion and rearrangement program with an additional $1.5 million scheduled to be spent on upgrading other facilities including the regular replacement of machinery and equipment. Our projections of financing the entire expansion out of current earnings in a two year period continue to be realistic, given an improving business trend sometime in the second half of 1981. From a tax standpoint, our program of claiming maximum allowable tax reductions on capital assets has a definite cash benefit. The 1980 and 1981 tax years will realize the major portion of this cash benefit.

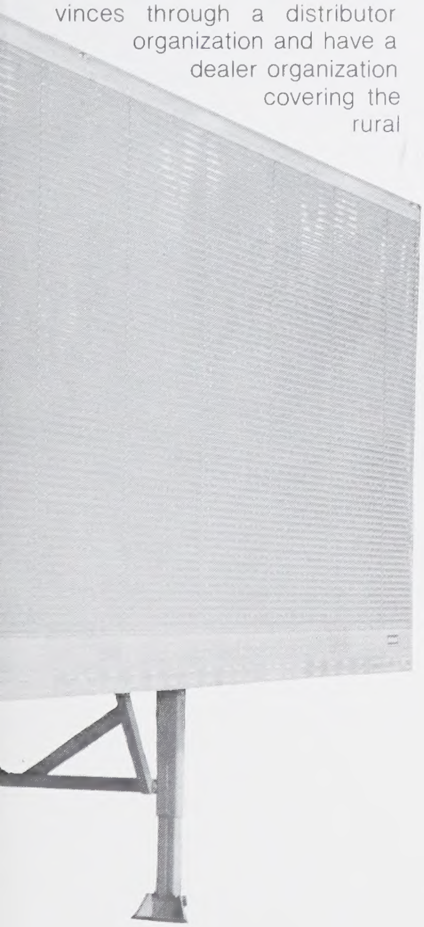
Facilities, Projects and Outlook

The Ingersoll project, the first major expansion since the 1958 relocation to Mississauga, holds considerable promise for our future economic stability. The production process in the new facility is greatly improved, resulting in a superior product at a reduced cost. As an example of the many innovations, our new van trailer is the only trailer manufactured in Canada which employs the technique of pre-painting all parts and components prior to assembly. This ensures a two coat paint protection to all hidden surfaces to minimize rust and corrosion. Benefits will also accrue from the segregation of the van trailer production in a separate facility. When com-

pleted early in 1981, the rearrangement of the Dixie facility including equipment and process renovations will provide a significant benefit to this manufacturing location. The production of the platform, dump and tank trailers being concentrated in a separate facility will benefit their processing; these models are all somewhat related in that they require a common welding technology. Thus with the two separate facilities specializing in their individual products, we will be well structured to maintain leadership and to ensure our customers of product excellence.

Our method of selling is primarily through direct contact with the transport operator. Our nationwide sales force of transportation specialists is based at our branch sales and service facilities. We maintain eight such locations in strategic centres from Quebec City in the East to Vancouver in the West. We cover all of the Maritime Provinces through a distributor organization and have a dealer organization covering the rural or remote areas. Branch facilities in addition to being home base for a sales organization, are service repair facilities and parts distribution centres. The repair facilities vary in size from 12 to 45 trailer bays, each with its full complement of specialized equipment to undertake any repair or rebuilding functions. In order to protect our leadership position and to provide customers with the best possible service, we will continue to follow our policy of regularly maintaining and renewing equipment and facilities.

The coming year will bring its share of challenges. The Canadian economy has a number of soft spots as the year commences, some of which are greatly affected by political considerations. However it is the people of Canada that will ultimately determine its course and unification from "coast to coast". We believe the potential for Canada and for its people is unequalled anywhere — we have every confidence in that future. We also have every confidence that as Canada prospers so will Fruehauf Canada Inc.

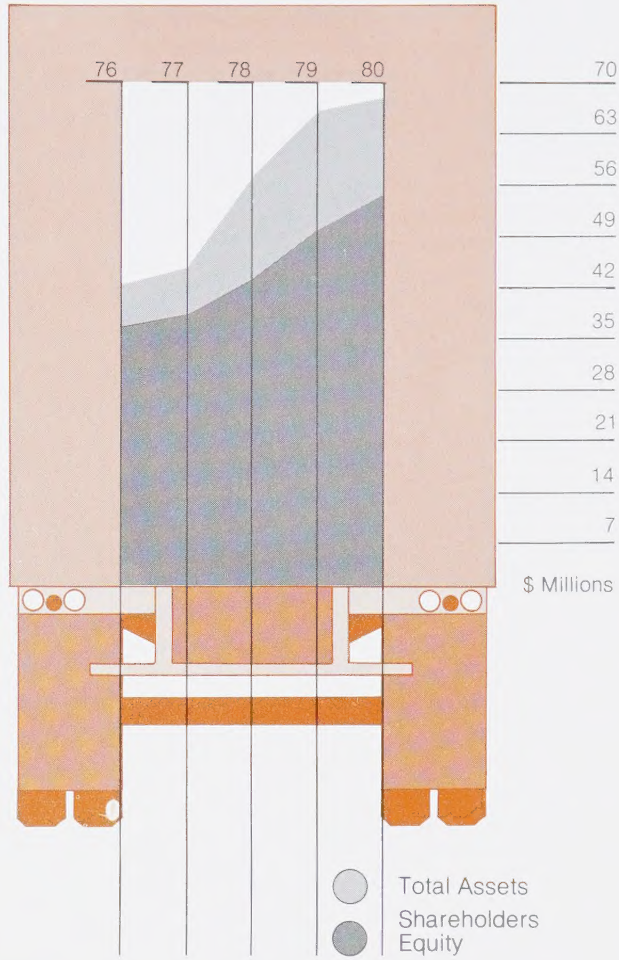


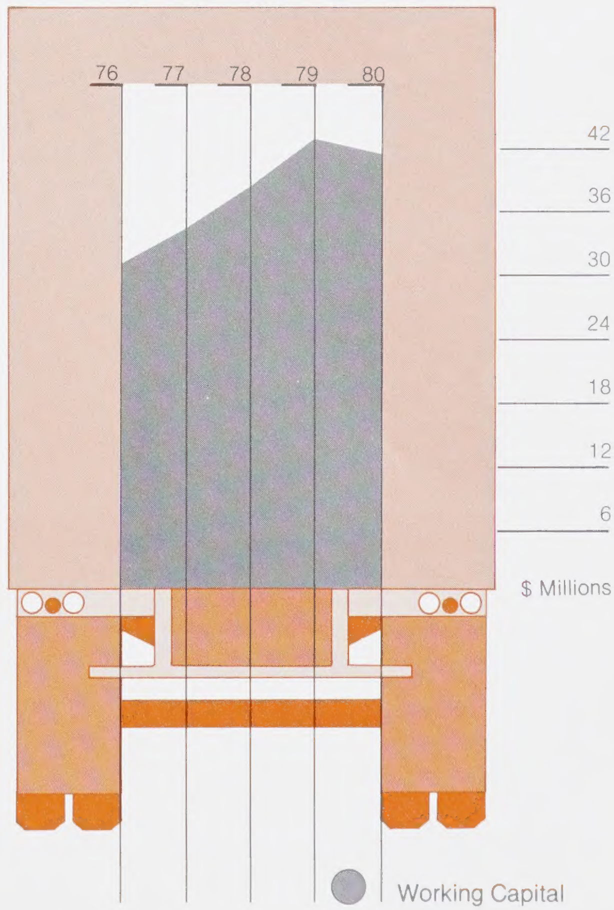
Our achievements and our future potential is realized through people. We take this opportunity to express the appreciation of your directors to our employees, to our customers and to our shareholders for the confidence they show in our activities and products.

On Behalf of the Board

T.J. Reghanti,
President

D.A. Grinstead,
Vice President





Auditors' Report

The Shareholders,
Fruehauf Canada Inc.

We have examined the balance sheet of Fruehauf Canada Inc. as at December 31, 1980 and the statements of net earnings, earnings retained for use in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants

Toronto, Ontario,
February 10, 1981.

First Canadian Place - 100 King Street West - Toronto, Ontario.

Statement of Net Earnings

	1980	1979
Revenues		
Net sales	$85,803,397	$100,535,167
Finance and other interest	2,596,796	2,717,010
	88,400,193	103,252,177
Costs and Expenses		
Cost of products and service sold, other than items below	70,135,864	83,700,778
Selling and administrative expenses	5,502,205	4,960,783
Depreciation	1,207,386	751,718
Taxes other than taxes on income	1,265,569	1,133,950
	78,111,024	90,547,229
Earnings Before Taxes on Income	10,289,169	12,704,948
Taxes on income		
Current	2,745,500	4,861,100
Deferred	1,276,500	466,200
	4,022,000	5,327,300
Net Earnings for the Year	$ 6,267,169	$ 7,377,648
Earnings per share	$2.32	$2.73

Balance Sheets
As at December 31, 1980 and 1979

Assets

	1980	1979
Current Assets		
Cash and short-term notes	$ 4,103,256	$ 4,064,915
Trade receivables		
Installment contracts (Note 1)	15,958,358	14,265,578
Accounts receivable	9,114,612	16,244,670
	25,072,970	30,510,248
Inventories (Note 2)	22,486,191	22,084,235
Prepaid expenses	66,544	137,368
Total Current Assets	51,728,961	56,796,766
Equipment Leased to Customers (Note 3)	802,855	813,898
Property, Plant and Equipment		
Land	737,475	737,476
Buildings and equipment	10,544,504	8,046,455
Machinery and other equipment	9,890,775	5,294,565
	21,172,754	14,078,496
Less accumulated depreciation	6,684,333	6,147,317
	14,488,421	7,931,179
Total Assets	$67,020,237	$65,541,843

On behalf of the Board
W.T. McDougall, Director
T.J. Reghanti, Director

Liabilities and Shareholders' Investment

	1980	1979
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,308,714	$8,195,367
Taxes on income (including deferred of $1,766,900 in 1980 and $1,899,300 in 1979)	4,270,828	2,749,010
Due to affiliates (Note 4)	1,274,012	3,624,453
Total Current Liabilities	9,853,554	14,568,830
Other Liabilities		
Deferred taxes on income	2,038,000	893,900
Shareholders' Investment		
Capital stock		
Authorized		
Unlimited number of shares of one class		
Issued and outstanding 2,705,775 shares	5,149,063	5,149,063
Earnings retained for use in the business	49,979,620	44,930,050
	55,128,683	50,079,113
Commitments and Contingent Liabilities (Notes 5 and 6)		
Total Liabilities and Shareholders' Investment	$67,020,237	$65,541,843

Years Ended December 31, 1980 and 1979

Statement of Earnings Retained for Use in the Business

	1980	1979
Balance at beginning of year	$44,930,050	$38,770,001
Net earnings for the year	6,267,169	7,377,648
	51,197,219	46,147,649
Cash dividends	1,217,599	1,217,599
Balance at end of year	$49,979,620	$44,930,050

Years Ended December 31, 1980 and 1979

Statement of Changes in Financial Position

	1980	1979
Source of Working Capital		
Operations		
Net earnings for the year	$ 6,267,169	$ 7,377,648
Depreciation of equipment leased to customers	285,958	219,612
Depreciation of plant and equipment	921,428	532,106
Increase in deferred taxes on income	1,144,100	375,600
Total from Operations	8,618,655	8,504,966
Retirement of equipment leased to customers	78,845	29,708
Disposal of plant and equipment, at net book value	4,146	12,756
	8,701,646	8,547,430
Application of Working Capital		
Cash dividends	1,217,599	1,217,599
Additions to equipment leased to customers	353,760	130,553
Additions to property, plant and equipment	7,482,816	3,086,502
	9,054,175	4,434,654
Net Increase (Decrease*) in Working Capital for Year	352,529*	4,112,776
Working Capital at Beginning of Year	42,227,936	38,115,160
Working Capital at End of Year	$41,875,407	$42,227,936

Notes to Financial Statements

Summary of Accounting Principles

Inventories

Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable value.

Equipment Leased to Customers

Lease rental payments on equipment leased to customers are recognized as income over the period of the lease and the equipment is depreciated on a straight-line basis to a projected lease terminal value.

Property, Plant and Equipment

The Corporation records property, plant and equipment at cost. Depreciation is provided on a straight-line basis over the life expectancy of the asset. The estimated useful life of each major class of assets is as follows:

Buildings and equipment — 25-40 years
Machinery and other equipment — 5-10 years

Maintenance and repairs are charged against earnings as incurred.

Taxes on Income

The Corporation claims maximum reductions available for income tax purposes in any fiscal period and follows the tax allocation method of accounting for income taxes.

Pensions

The Corporation has noncontributory pension plans covering substantially all employees. Current service costs of pension benefits are accrued and funded on a current basis. Past service costs are amortized and funded over periods not exceeding fifteen years.

Note 1 — Installment Contracts

Installment contracts at December 31 are stated after deduction of deferred finance charges of $3,937,016 for 1980 and $2,848,742 for 1979 and include installments due after one year of approximately $10,155,000 for 1980 and $8,280,000 for 1979.

Note 2 — Inventories

	December 31, 1980	December 31, 1979
New trailers	$ 9,405,834	$ 4,269,099
Production parts, work in process and raw materials	6,796,846	10,897,600
Service parts and orders in process	4,411,210	4,322,584
Used trailers	1,872,301	2,594,952
	$22,486,191	$22,084,235

Note 3 — Equipment Leased to Customers

Equipment leased to customers at December 31 is stated at cost less accumulated depreciation of $502,869 for 1980 and $536,546 for 1979.

Note 4 — Transactions with Affiliates

Shares of the Corporation are 91% owned by Fruehauf Corporation (U.S.). Under a long standing agreement Fruehauf Corporation provides technical assistance on products and methods for which a fee is paid. In addition the Corporation purchases production components from Fruehauf Corporation and its affiliates in the normal course of business. Costs and expenses include costs arising from these transactions, primarily purchases of production components, aggregating approximately 9.0% of total costs and expenses.

Note 5 — Commitments

The Corporation is lessee under long-term leases for sales and service branches requiring rental payments of approximately $112,000 per annum. The Corporation has the right to purchase one of these properties and if this right was exercised at December 31, 1980 the aggregate purchase price would amount to approximately $93,000.

Note 6 — Pensions

Based on actuarial valuations and estimates, unfunded service costs of pension plans at December 31 amount to approximately $3,320,000 for 1980, $3,712,000 for 1979. Unfunded vested benefits at December 31 amount to approximately $1,270,000 for 1980, $2,548,000 for 1979. Total pension expense was $630,345 in 1980 and $778,519 in 1979.

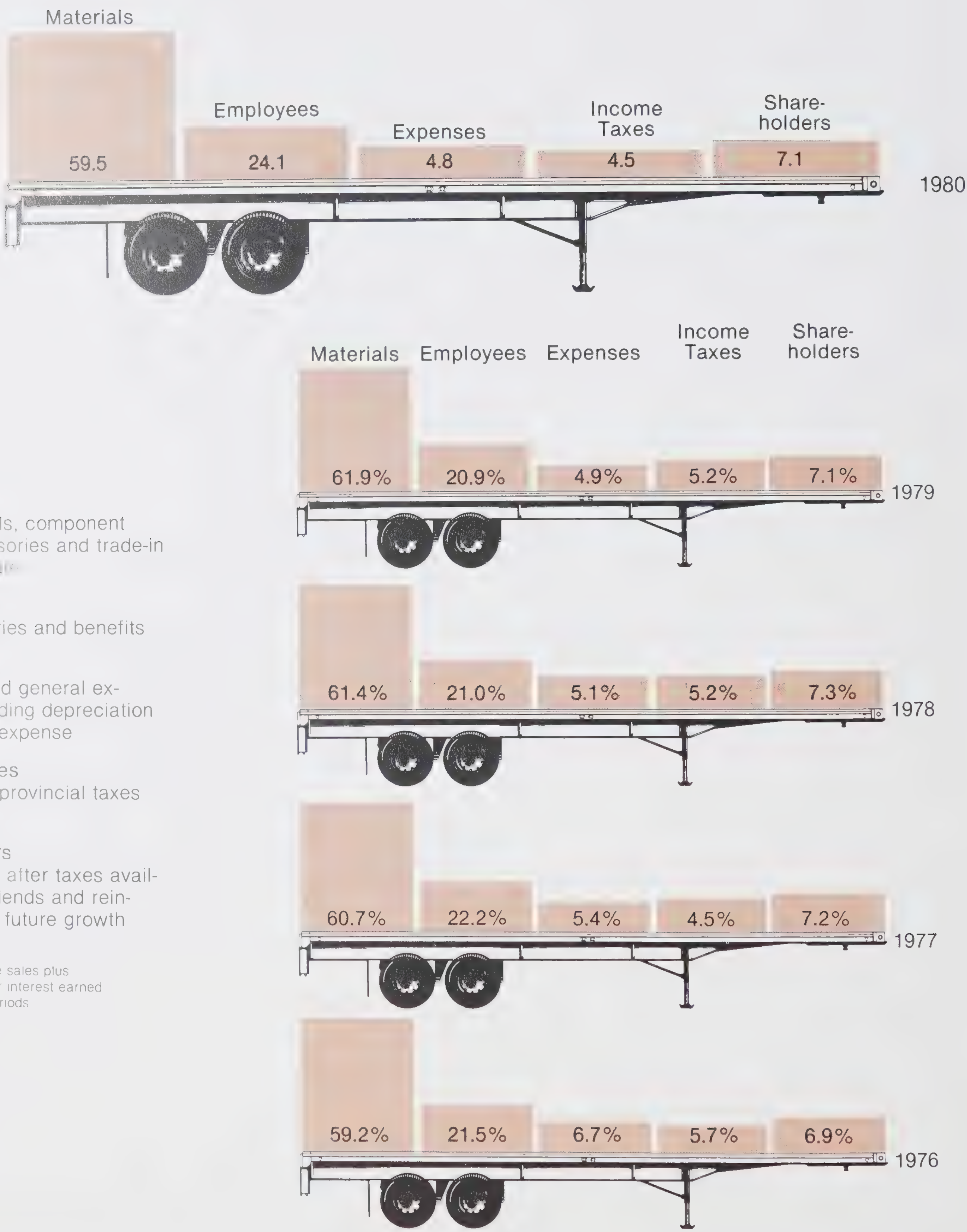
Statistical Summary

	1980	1979	1978	1977
Income Data				
Sales	$ 85,803,397	$100,535,167	$75,382,328	$58,657,252
Finance and Other Interest	2,596,796	2,717,010	2,611,338	2,435,626
Cost of Products and Service Sold	70,135,864	83,700,778	62,211,113	48,823,328
Per cent to Sales	81.7	83.2	82.5	83.2
Selling and Administrative Expenses	$ 5,502,205	$ 4,960,783	$ 4,282,337	$ 3,716,877
Per cent to Sales	6.4	4.9	5.7	6.3
Depreciation				
Equipment Leased to Customers	$ 285,958	$ 219,612	$ 312,234	$ 461,312
Plant and Equipment	921,428	532,106	477,760	450,868
Earnings before Taxes on Income	10,289,169	12,704,948	9,700,934	7,185,551*
Per cent to Sales	12.0	12.6	12.9	12.3
Net Earnings	$ 6,267,169	$ 7,377,648	$ 5,670,934	$ 4,419,551*
Per cent to Sales	7.3	7.3	7.5	7.5
Per Share Outstanding	$ 2.32	$ 2.73	$ 2.10	$ 1.63*
Capital Investment in Year				
Equipment Leased to Customers	$ 353,760	$ 130,553	$ 809,291	$ 93,541
Property, Plant and Equipment	7,482,816	3,086,502	1,406,844	487,349
Financial Position Year-End				
Total Assets	$ 67,020,237	$ 65,541,843	$57,125,200	$46,574,491
Working Capital	41,875,407	42,227,936	38,115,160	34,725,033
Current Ratio	5.3 to 1	3.9 to 1	4.0 to 1	6.3 to 1
Installment Contracts Receivable	$ 15,958,358	$ 14,265,578	$15,283,484	$14,583,474
Equipment Leased to Customers — Net	802,855	813,898	932,665	847,494
Property, Plant and Equipment — Net	14,488,421	7,931,179	5,389,539	4,473,602
Shareholders' Equity	55,128,683	50,079,113	43,919,064	39,465,729
Book Value per Share	20.37	18.51	16.23	14.59
Employment				
Number of Employees at Year-end	670	1138	1008	779
Shareholders				
Number of Shareholders	404	412	419	428
Dividends per Share	$ .45	$ .45	$ .45	$ .42[illegible]

* *Includes .20 interim 1972

1976	1975	1974	1973	1972	1971
$40,872,708	$47,161,334	$60,073,980	$51,031,753	$40,609,738	$31,789,041
2,588,410	2,320,268	2,049,814	1,464,868	1,684,879	1,732,102
32,959,679	36,833,238	46,237,615	39,338,356	30,896,381	23,963,131
80.6	78.1	76.9	77.0	76.1	75.3
$ 3,114,987	$ 3,186,703	$ 3,327,728	$ 2,882,982	$ 2,328,839	$ 2,217,022
7.6	6.8	5.5	5.6	5.7	[illegible]
$ 691,128	$ 999,485	$ 1,164,293	$ 1,323,637	$ 1,115,512	$ 1,134,202
454,399	434,194	481,757	382,910	346,739	374,414
5,488,035	6,866,271	9,539,837	7,687,493	6,946,136	5,145,776
13.4	14.6	15.9	15.1	17.1	16.2
$ 2,993,035	$ 3,674,271	$ 5,388,837	$ 4,260,493	$ 3,597,136	$ 2,501,776
7.3	7.8	9.0	8.3	8.9	7.9
$ 1.11	$ 1.36	$ 1.99	$ 1.57	$ 1.33	$ .92
$ 91,446	$ 226,910	$ 404,096	$ 2,490,012	$ 1,532,537	$ 1,537,623
.327,018	310,015	424,063	1,121,288	718,624	241,156
$44,496,305	$43,168,288	$49,429,223	$41,022,816	$35,063,723	$30,784,211
31,108,456	28,294,922	25,054,640	19,713,525	18,625,830	17,339,313
5.1 to 1	4.5 to 1	2.5 to 1	2.7 to 1	3.1 to 1	3.7 to 1
$14,472,937	$17,656,167	$17,545,115	$14,404,473	$13,001,551	$13,025,951
1,292,459	2,239,625	3,417,789	4,694,717	3,696,762	3,410,368
4,501,418	4,629,361	4,766,718	4,829,978	4,097,745	3,728,400
36,196,133	34,285,408	30,707,047	26,400,520	23,222,337	21,068,281
13.38	12.67	11.35	9.75	8.58	7.79
792	635	966	1145	1001	841
425	406	417	394	331	296
$ .40	$ .40	$ .40	$ .40	$ .53**	$ .25

Revenue Distribution*



[illegible]
[illegible] rials, component [illegible] essories and trade-in [illegible]

[illegible]
[illegible] alaries and benefits

[illegible]
[illegible] ating and general ex- [illegible] cluding depreciation [illegible] est expense

[illegible] Taxes
[illegible] l and provincial taxes [illegible]

Shareholders
Net earnings after taxes avail- [illegible] for dividends and rein- [illegible] tment for future growth

*[illegible] include sales plus finance and other interest earned [illegible] each of the periods

Fruehauf — Coast to Coast

▲ **Head Office**

2450 Stanfield Road
Mississauga, Ontario

■ **Sales and Service**

Quebec
Montreal
Toronto
London
Winnipeg
Calgary
Edmonton
Vancouver

● **Distributors and Dealers**

Pasadena
Dartmouth
Saint John
Fredericton
Ottawa
North Bay
Kitchener
Sarnia
Windsor
Prince Albert
Saskatoon
Whitehorse

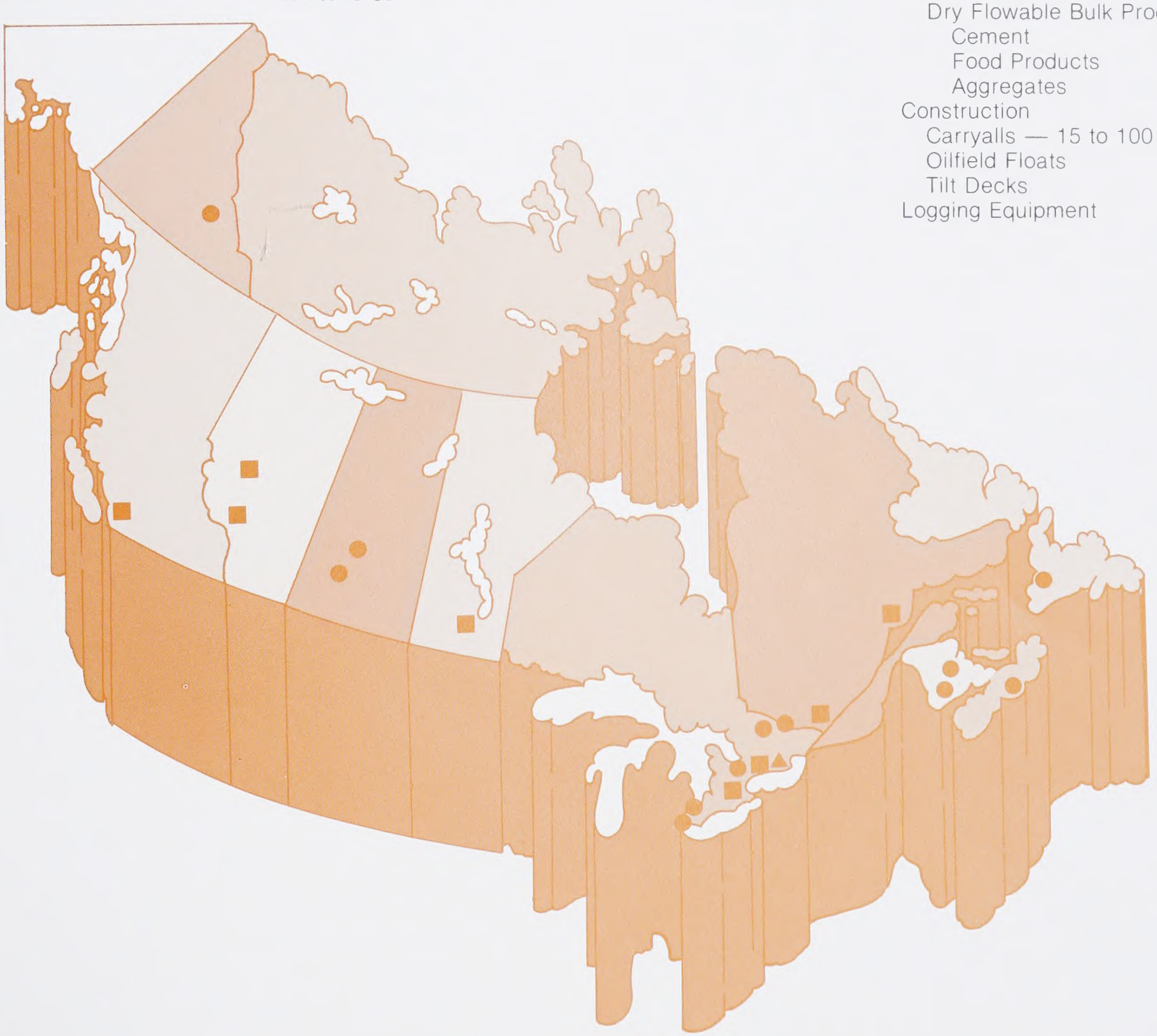
Products

Vans
- Dry Freight
  - — Smooth Panels
  - — Beaded Panels
  - — FRP Panels
- Insulated-Refrigerated
- City Delivery
- Furniture
- Livestock
- Grain Haul

Platforms
Stake and Rack
Dumps
Container Chassis
Dollies
Truck Bodies
Tanks — Steel, Aluminum and Stainless Steel
- Liquid Products:
  - Petroleum
  - Hot Material
  - Chemical
  - Food Products
- Dry Flowable Bulk Products:
  - Cement
  - Food Products
  - Aggregates

Construction
- Carryalls — 15 to 100 ton
- Oilfield Floats
- Tilt Decks

Logging Equipment



Directors and Officers

FRUEHAUF

Directors

T.J. Reghanti
President of the Company and
Executive Vice President, Trailer Operations and President,
Fruehauf Division, Fruehauf Corporation,
Detroit, Michigan

D.A. Grinstead
Vice President of the Company,
Toronto, Ontario

W.T. McDougall
Vice President-Finance of the Company,
Toronto, Ontario

T.N. Combs
Secretary of the Company and Vice President,
General Counsel and Secretary, Fruehauf
Corporation, Detroit, Michigan

F.P. Coyer, Jr.
Executive Vice President - Finance and Administration,
Fruehauf Corporation,
Detroit, Michigan

A. Paulin
President, H. Paulin & Co. Limited,
Toronto, Ontario

M. Reid
Vice President, Planning and Development,
Simpsons-Sears Limited
Toronto, Ontario

R.J. Telford
Retired — former Vice President
of the Company

Officers

T.J. Reghanti, President
D.A. Grinstead, Vice President
W.T. McDougall, Vice President-Finance
T.N. Combs, Secretary
B.A. West, Controller
A. Purdon, Assistant Secretary

Share Listing

Toronto Stock Exchange

Transfer Agents and Registrar

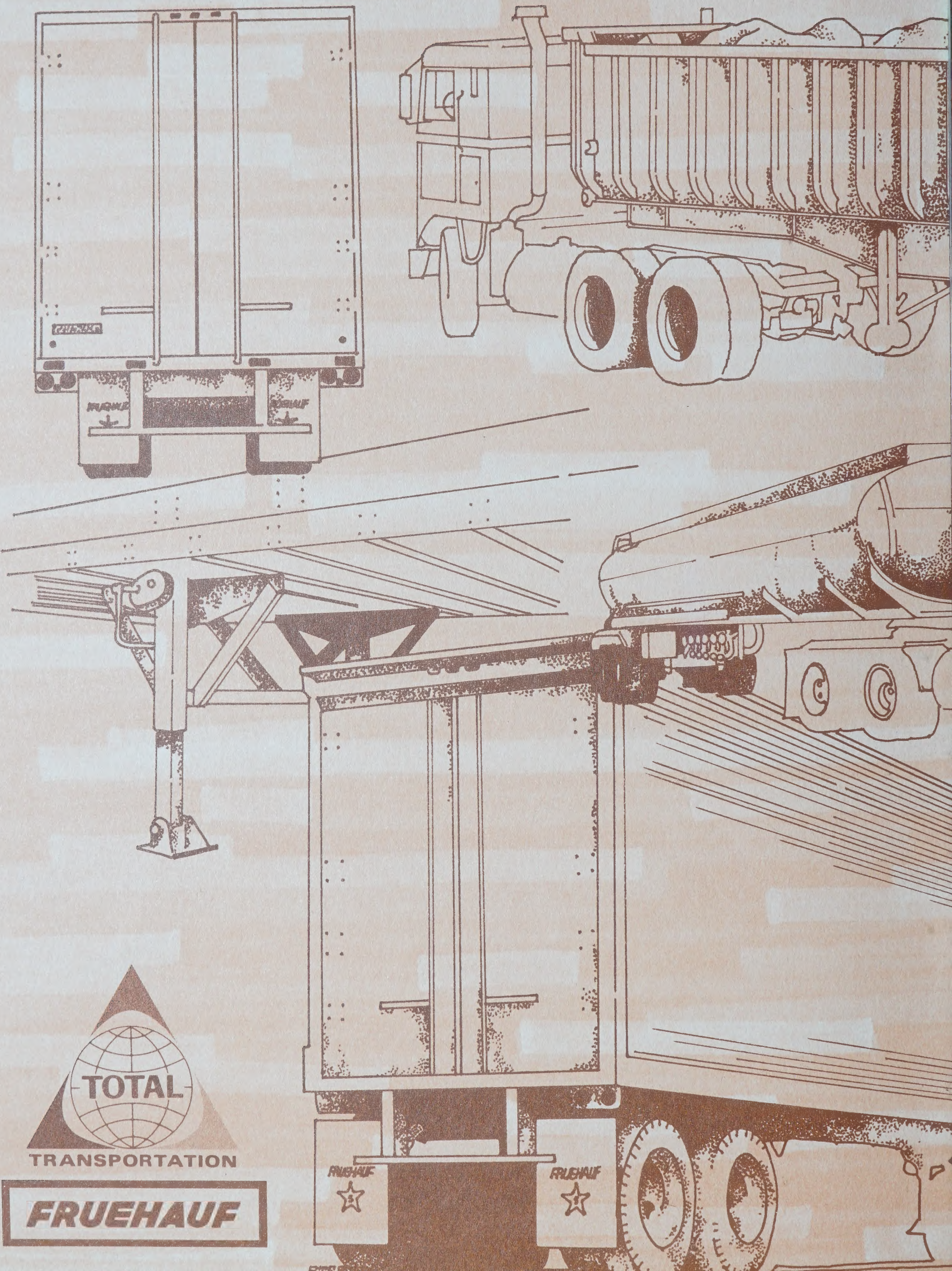
National Trust Company Limited
Toronto and Montreal

Solicitors

Borden & Elliot
Toronto, Ontario

Auditors

Touche Ross & Co.
Toronto, Ontario



TOTAL

TRANSPORTATION

FRUEHAUF